



General Assembly

February Session, 2012

**Governor's Bill No. 29**

LCO No. 511

\*00511\_\_\_\_\_\*

Referred to Committee on Higher Education and Employment  
Advancement

Introduced by:

SEN. WILLIAMS, 29<sup>th</sup> Dist.

SEN. LOONEY, 11<sup>th</sup> Dist.

REP. DONOVAN, 84<sup>th</sup> Dist.

REP. SHARKEY, 88<sup>th</sup> Dist.

***AN ACT CONCERNING THE CONNECTICUT HEALTH AND  
EDUCATIONAL FACILITIES AUTHORITY.***

Be it enacted by the Senate and House of Representatives in General  
Assembly convened:

1 Section 1. Subsection (e) of section 10a-178 of the 2012 supplement  
2 to the general statutes is repealed and the following is substituted in  
3 lieu thereof (*Effective July 1, 2012*):

4 (e) "Institution for higher education" means (1) [an educational  
5 institution situated within this state which by virtue of law or charter  
6 is a nonprofit educational institution empowered to provide a program  
7 of education beyond the high school level;] a degree-granting  
8 educational institution within the United States authorized by  
9 applicable law to provide a program of education beyond high school  
10 level and (A) described in Section 501(c)(3) of the Internal Revenue  
11 Code of 1986, or any subsequent corresponding internal revenue code  
12 of the United States, as from time to time amended, and exempt from

13 taxation under Section 501(a) of said code, or (B) exempt from taxation  
14 under said code as a government unit; or (2) a public [educational  
15 institution, which, shall be the state colleges, known collectively as  
16 Connecticut State University] or independent institution for higher  
17 education in this state;

18 Sec. 2. Section 10a-178 of the 2012 supplement to the general statutes  
19 is amended by adding subsections (p) to (r), inclusive, as follows  
20 (*Effective July 1, 2012*):

21 (NEW) (p) "Connecticut Higher Education Supplemental Loan  
22 Authority" means the Connecticut Higher Education Supplemental  
23 Loan Authority established as a subsidiary of the authority with  
24 powers granted pursuant to chapter 187b.

25 (NEW) (q) "Education borrower" means any student or parent who  
26 has agreed to pay (1) a loan made by the Connecticut Higher  
27 Education Supplemental Loan Authority to a student or parent, or  
28 both, to finance the attendance of such student at an institution for  
29 higher education, or (2) a loan made by or on behalf of a Connecticut  
30 institution for higher education from the proceeds of a Connecticut  
31 Higher Education Supplemental Loan Authority loan to a student or  
32 parent, or both, to finance such student's attendance at such institution.

33 (NEW) (r) "Parent" means any parent, legal guardian or sponsor of a  
34 student at an institution for higher education.

35 Sec. 3. (NEW) (*Effective July 1, 2012*) (a) The Connecticut Higher  
36 Education Supplemental Loan Authority is constituted as a subsidiary  
37 of the Connecticut Health and Educational Facilities Authority. The  
38 Connecticut Higher Education Supplemental Loan Authority shall be  
39 deemed a quasi-public agency for purposes of chapter 12 of the  
40 general statutes and for the purpose of assisting education borrowers  
41 and Connecticut institutions for higher education in the financing and  
42 refinancing of the cost of higher education. The Connecticut Higher  
43 Education Supplemental Loan Authority shall have all the privileges,

44 immunities, tax exemptions and other exemptions of the authority and  
45 may exercise the powers granted pursuant to chapter 187b of the  
46 general statutes, which shall be deemed and held to be the  
47 performance of an essential public and government function. The  
48 Connecticut Higher Education Supplemental Loan Authority shall be  
49 subject to suit and liability solely from the assets, revenues and  
50 resources of the Connecticut Higher Education Supplemental Loan  
51 Authority and without recourse to the general funds, revenues,  
52 resources or any other assets of the authority. The Connecticut Higher  
53 Education Supplemental Loan Authority is authorized, for the  
54 purposes set forth in chapter 187b of the general statutes, to mortgage,  
55 convey or dispose of its assets and pledge its revenues in order to  
56 secure any borrowing, provided each such borrowing or mortgage  
57 shall be a special obligation of the Connecticut Higher Education  
58 Supplemental Loan Authority, which obligation may be in the form of  
59 bonds, bond anticipation notes or other obligations which evidence an  
60 indebtedness to the extent permitted under chapter 187b of the general  
61 statutes to fund, refinance and refund such borrowing and provide for  
62 the rights of holders of such bonds, bond anticipation notes or other  
63 obligation, and to secure such bonds, bond anticipation notes or other  
64 obligation by pledge of revenues, notes and mortgages of others, and  
65 which shall be payable solely from the assets, revenues and other  
66 resources of the Connecticut Higher Education Supplemental Loan  
67 Authority. The Connecticut Higher Education Supplemental Loan  
68 Authority shall have the purposes which shall be consistent with  
69 chapter 187b of the general statutes.

70 (b) The Connecticut Higher Education Supplemental Loan  
71 Authority shall be governed by a board of directors consisting of the  
72 following nine members: (1) The State Treasurer, or the Treasurer's  
73 designee, who shall serve as an ex-officio voting member; (2) the  
74 Secretary of the Office of Policy and Management, or the secretary's  
75 designee, who shall serve as an ex-officio voting member; (3) the  
76 President of the Board of Regents for Higher Education, or the  
77 president's designee, who shall serve as an ex-officio voting member;

78 (4) the chairperson of the board of directors of the authority; (5) the  
79 executive director of the authority; (6) a member of the board of  
80 directors of the authority who is an active or retired trustee, director,  
81 officer or employee of a Connecticut institution for higher education,  
82 appointed by the board of directors of the authority; (7) a member of  
83 the board of directors of the authority who is an active or retired  
84 trustee, director, officer or employee of a Connecticut institution for  
85 higher education, appointed by the board of directors of the authority;  
86 (8) a resident of this state with a favorable reputation for skill,  
87 knowledge and experience in the higher education loan field, who  
88 shall be appointed by the board of directors of the authority; and (9) a  
89 resident of this state with a favorable reputation for skill, knowledge  
90 and experience in either the higher education loan field or in state and  
91 municipal finance, appointed by the board of directors of the  
92 authority. Of the four appointed members, not more than two may be  
93 members of the same political party. The two members who are  
94 members of the board of the authority and active or retired trustees,  
95 directors, officers or employees of Connecticut institutions for higher  
96 education shall serve so long as such member remains a member of the  
97 board of the authority or until such time as a successor is appointed.  
98 One appointed member shall serve until the earlier of July 1, 2017, or,  
99 if such person was a member of the Connecticut Higher Education  
100 Supplemental Loan Authority board on June 30, 2012, the date on  
101 which such member's then current term was originally scheduled to  
102 end. One appointed member shall serve until the earlier of July 1, 2018,  
103 or, if such person was a member of the Connecticut Higher Education  
104 Supplemental Loan Authority board on June 30, 2012, the date on  
105 which such member's then current term was originally scheduled to  
106 end. Except as provided in this subsection and notwithstanding the  
107 original date of expiration of the term of any person who is an  
108 appointed member of the Connecticut Higher Education Supplemental  
109 Loan Authority board on June 30, 2012, the term of all such persons  
110 shall expire on June 30, 2012. The authority board shall appoint a  
111 member or members each for a term of six years or until his or her

112 successor is appointed and has qualified to succeed the members  
113 whose terms expire. The authority board shall fill any vacancy for the  
114 unexpired term. A member of the Connecticut Higher Education  
115 Supplemental Loan Authority board shall be eligible for  
116 reappointment. Any member of the Connecticut Higher Education  
117 Supplemental Loan Authority board may be removed by the  
118 appointing authority for misfeasance, malfeasance or wilful neglect of  
119 duty. Each member of the Connecticut Higher Education  
120 Supplemental Loan Authority board before entering upon his or her  
121 duties shall take and subscribe the oath or affirmation required by  
122 section 1 of article eleventh of the State Constitution. A record of each  
123 such oath shall be filed in the office of the Secretary of the State.

124 (c) The chairperson of the board of the directors of the authority  
125 shall serve as chairperson of the Connecticut Higher Education  
126 Supplemental Loan Authority board. The Connecticut Higher  
127 Education Supplemental Loan Authority board shall annually elect  
128 one of its members as vice-chairman. The Connecticut Higher  
129 Education Supplemental Loan Authority board may appoint an  
130 executive director, who shall be an employee of the authority and who  
131 shall serve at the pleasure of the Connecticut Higher Education  
132 Supplemental Loan Authority board.

133 (d) To the extent necessary or appropriate to assure that the interest  
134 on any of its bonds, notes or other obligations are or continue to be  
135 excluded from the gross income of the recipients for federal income tax  
136 purposes, the authority or the Connecticut Higher Education  
137 Supplemental Loan Authority shall take such actions to comply with  
138 the provisions of the Internal Revenue Code of 1986 or any subsequent  
139 corresponding internal revenue code of the United States, as from time  
140 to time amended, if necessary, to qualify and maintain such subsidiary  
141 as a corporation exempt from taxation under said Internal Revenue  
142 Code.

143 (e) The provisions of section 1-125 of the general statutes, subsection

144 (e) of section 10a-185 of the general statutes and this subsection shall  
145 apply to any officer, director, designee or employee appointed as a  
146 member, director or officer of the Connecticut Higher Education  
147 Supplemental Loan Authority. Any such persons so appointed shall  
148 not be personally liable for the debts, obligations or liabilities of the  
149 Connecticut Higher Education Supplemental Loan Authority as  
150 provided in said section 1-125. The subsidiary shall and the authority  
151 may provide for the indemnification to protect, save harmless and  
152 indemnify such officer, director, designee or employee as provided by  
153 said section 1-125.

154 (f) The authority or the Connecticut Higher Education Supplemental  
155 Loan Authority may take such actions as are necessary to comply with  
156 the provisions of the Internal Revenue Code of 1986 or any subsequent  
157 corresponding internal revenue code of the United States, as from time  
158 to time amended, to qualify and maintain any such subsidiary as a  
159 corporation exempt from taxation under said Internal Revenue Code.

160 Sec. 4. Section 10a-180 of the general statutes is amended by adding  
161 subsection (x) as follows (*Effective July 1, 2012*):

162 (NEW) (x) To provide and be compensated for such services to or  
163 on behalf of the Connecticut Higher Education Supplemental Loan  
164 Authority as are appropriate for the operation and management of  
165 said authority, including, without limitation, to provide to said  
166 authority and to be reimbursed for costs associated with such space,  
167 equipment, supplies and employees as are necessary and appropriate  
168 for the operations of said authority.

169 Sec. 5. Section 10a-223 of the general statutes is repealed and the  
170 following is substituted in lieu thereof (*Effective July 1, 2012*):

171 In this chapter, the following words and terms shall have the  
172 following meanings unless the context indicates another or different  
173 meaning or intent:

174 [(a)] (1) "Authority" means the Higher Education Supplemental  
175 Loan Authority [established pursuant to section 10a-224] constituted as  
176 a subsidiary of the Connecticut Health and Educational Facilities  
177 Authority as provided in section 3 of this act;

178 (2) "Authorized officer" means an employee of the Connecticut  
179 Health and Educational Facilities Authority or of the authority who is  
180 authorized by the Connecticut Health and Educational Facilities  
181 Authority to execute and deliver documents and papers and to act in  
182 the name of and on behalf of the Connecticut Health and Educational  
183 Facilities Authority;

184 [(b)] (3) "Authority loans" means education loans by the authority,  
185 or loans by the authority from the proceeds of bonds for the purpose of  
186 funding education loans;

187 [(c)] (4) "Bonds" or "revenue bonds" means revenue bonds or notes  
188 of the authority issued under the provisions of this chapter, including  
189 revenue refunding bonds or notes;

190 [(d)] (5) "Bond resolution" means the resolution or resolutions of the  
191 authority and the trust agreement, if any, authorizing the issuance of  
192 and providing for the terms and conditions applicable to bonds;

193 [(e)] (6) "Borrower" means a student and any parent who has  
194 received or agreed to pay an education loan;

195 (7) "Connecticut Health and Educational Facilities Authority" means  
196 the quasi-public authority established pursuant to section 10a-179;

197 [(f)] (8) "Connecticut institution for higher education" means an  
198 institution for higher education within the state;

199 [(g)] (9) "Default insurance" means insurance insuring education  
200 loans, authority loans or bonds against default;

201 [(h)] (10) "Default reserve fund" means a fund established pursuant

202 to a bond resolution for the purpose of securing education loans,  
203 authority loans or bonds;

204 [(i)] (11) "Education loan" means a loan which is made by the  
205 authority to a student in or from the state, or the parents of such a  
206 student, or both, to finance the attendance of the student at an  
207 institution for higher education, or a loan by or on behalf of a  
208 participating institution for higher education from the proceeds of an  
209 authority loan, to a student, or the parents of a student, or both, to  
210 finance the student's attendance at such institution;

211 [(j)] (12) "Loan funding deposit" means moneys or other property  
212 deposited by a Connecticut institution for higher education with the  
213 authority, a guarantor or a trustee for the purpose of [(1)] (A)  
214 providing security for bonds, [(2)] (B) funding a default reserve fund,  
215 [(3)] (C) acquiring default insurance, or [(4)] (D) defraying costs of the  
216 authority, such moneys or properties to be in such amounts as deemed  
217 necessary by the authority or guarantor as a condition for such  
218 institution's participation in the authority's programs;

219 [(k)] (13) "Institution for higher education" means a degree-granting  
220 educational institution within the United States authorized by  
221 applicable law to provide a program of education beyond the high  
222 school level and [(1)] (A) described in Section 501(c)(3) of the Internal  
223 Revenue Code of 1986, or any subsequent corresponding internal  
224 revenue code of the United States, as from time to time amended, and  
225 exempt from taxation under Section 501(a) of said code with respect to  
226 a trade or business carried on by such institution which is not an  
227 unrelated trade or business, determined by applying Section 513(a) of  
228 said code to such organization or a foundation established for its  
229 benefit, or [(2)] (B) exempt from taxation under said code as a  
230 governmental unit;

231 [(l)] (14) "Participating institution for higher education" means a  
232 Connecticut institution for higher education which, pursuant to the  
233 provisions of this chapter, undertakes the financing directly or



234 indirectly of education loans as provided in this chapter;

235 [(m)] (15) "Parent" means any parent, legal guardian or sponsor of a  
236 student at an institution for higher education;

237 [(n)] (16) "Education loan series portfolio" means all education loans  
238 made by the authority or by or on behalf of a specific participating  
239 institution for higher education which are funded from the proceeds of  
240 a related specific bond issue of the authority.

241 Sec. 6. Section 10a-224 of the general statutes is repealed and the  
242 following is substituted in lieu thereof (*Effective July 1, 2012*):

243 [(a)] There is created a body politic and corporate to be known as the  
244 "Connecticut Higher Education Supplemental Loan Authority". The  
245 authority is constituted a public instrumentality and political  
246 subdivision of the state and the exercise by the authority of the powers  
247 conferred by this chapter shall be deemed and held to be the  
248 performance of an essential public and governmental function. The  
249 powers of the authority shall be vested in and exercised by a board of  
250 directors which shall consist of eight members, one of whom shall be  
251 the State Treasurer, one of whom shall be the Secretary of the Office of  
252 Policy and Management and one of whom shall be the president of the  
253 Board of Regents for Higher Education, each serving *ex officio*, and  
254 five of whom shall be residents of the state appointed by the Governor,  
255 not more than three of such appointed members to be members of the  
256 same political party. Three of the appointed members shall be active or  
257 retired trustees, directors, officers or employees of Connecticut  
258 institutions for higher education. At least one of the appointed  
259 members shall be a person having a favorable reputation for skill,  
260 knowledge and experience in the higher education loan finance field,  
261 and at least one of such appointed members shall be a person having a  
262 favorable reputation for skill, knowledge and experience in state and  
263 municipal finance, either as a partner, officer or employee of an  
264 investment banking firm which originates and purchases state and  
265 municipal securities, or as an officer or employee of an insurance

266 company or bank whose duties relate to the purchase of state and  
267 municipal securities as an investment and to the management and  
268 control of a state and municipal securities portfolio. Of the three  
269 members first appointed who are trustees, directors, officers or  
270 employees of Connecticut institutions for higher education, one shall  
271 serve until July 1, 1986, one shall serve until July 1, 1987, and one shall  
272 serve until July 1, 1988. Of the three remaining members first  
273 appointed, one shall serve until July 1, 1983, one shall serve until July  
274 1, 1984, and one shall serve until July 1, 1985. On or before the first day  
275 of July, annually, the Governor shall appoint a member or members to  
276 succeed those whose terms expire, each for a term of six years and  
277 until his successor is appointed and has qualified. The Governor shall  
278 fill any vacancy for the unexpired term. A member of the board shall  
279 be eligible for reappointment. Any member of the board may be  
280 removed by the Governor for misfeasance, malfeasance or wilful  
281 neglect of duty. Each member of the board before entering upon his or  
282 her duties shall take and subscribe the oath or affirmation required by  
283 section 1 of article eleventh of the State Constitution. A record of each  
284 such oath shall be filed in the office of the Secretary of the State. The  
285 State Treasurer, the Secretary of the Office of Policy and Management  
286 and the president of the Board of Regents for Higher Education may  
287 each designate a deputy or any staff member to represent him as a  
288 member at meetings of the board with full power to act and vote on his  
289 behalf.

290 (b) The chairperson of the board shall be appointed by the Governor  
291 with the advice and consent of both houses of the General Assembly.  
292 The board shall annually elect one of its members as vice-chairman.  
293 The board may appoint an executive director and assistant executive  
294 director, who shall not be members of the board and who shall serve at  
295 the pleasure of the board. The executive director and assistant  
296 executive director shall receive such compensation as shall be fixed by  
297 the board.]

298 [(c)] (a) The executive director of the Connecticut Higher Education

299 Supplemental Loan Authority shall supervise the administrative  
300 affairs and technical activities of the authority in accordance with the  
301 directives of the board. The executive director shall keep a record of  
302 the proceedings of the authority and shall be custodian of all books,  
303 documents and papers filed with the authority, the minute book or  
304 journal of the authority, and its official seal. The executive director or  
305 assistant executive director or other person may cause copies to be  
306 made of all minutes and other records and documents of the authority  
307 and may give certificates under the official seal of the authority to the  
308 effect that such copies are true copies, and all persons dealing with the  
309 authority may rely upon such certificates.

310 [(d)] (b) (1) Five members of the board shall constitute a quorum.  
311 The affirmative vote of five of the members of the board shall be  
312 necessary for any action taken by the board. No vacancy in the  
313 membership of the board shall impair the right of a quorum of  
314 members to exercise all the rights and perform all the duties of the  
315 board. Any action taken by the board under the provisions of this  
316 chapter may be authorized by resolution at any regular or special  
317 meeting, and each such resolution shall take effect immediately and  
318 need not be published or posted. (2) The board of directors may  
319 delegate to three or more of its members such board powers and duties  
320 as it may deem proper. At least one of such members shall not be a  
321 state employee.

322 [(e)] (c) Before the issuance of any bonds or notes under the  
323 provisions of this chapter, the chairman and vice-chairman of the  
324 board of directors, the executive director and assistant executive  
325 director of the authority and any other member of the board  
326 authorized by resolution of the board to handle funds or sign checks of  
327 the authority shall execute a surety bond in the penal sum of fifty  
328 thousand dollars, or in lieu thereof the chairman shall obtain a blanket  
329 position bond covering the executive director and every member of the  
330 board and other employee of the authority in the penal sum of fifty  
331 thousand dollars. Each such bond shall be conditioned upon the

332 faithful performance of the duties of the principal or the members,  
333 executive director and other employees, as the case may be, shall be  
334 executed by a surety company authorized to transact business in the  
335 state as surety, and shall be filed in the office of the Secretary of the  
336 State. The cost of each such bond shall be paid by the authority.

337     ~~[(f)]~~ (d) The members of the board shall receive no compensation for  
338 the performance of their duties hereunder but each such member shall  
339 be paid the necessary expenses incurred by such member while  
340 engaged in the performance of such duties.

341     ~~[(g)]~~ (e) (1) No member of the board or officer, agent or employee of  
342 the authority shall, directly or indirectly, have any financial interest in  
343 any participating institution for higher education or in any  
344 corporation, business trust, estate, trust, partnership or association,  
345 two or more persons having a joint or common interest, or any other  
346 legal or commercial entity contracting with the authority. Any  
347 individual who violates the provisions of this subsection shall be  
348 punished by a fine of not less than fifty dollars nor more than one  
349 thousand dollars, or by imprisonment for not more than one month, or  
350 both.

351     (2) Notwithstanding the provisions of subdivision (1) of this  
352 subsection or the provisions of any other law to the contrary, it shall  
353 not be or constitute a conflict of interest or violation of the provisions  
354 of said subdivision or the provisions of any other law for a trustee,  
355 director, officer or employee of a participating institution of higher  
356 education or for a person having the required favorable reputation for  
357 skill, knowledge and experience in state and municipal finance or for a  
358 person having the required favorable reputation for skill, knowledge  
359 and experience in the higher education loan finance field to serve as a  
360 member of the board; provided, in each case to which the provisions of  
361 this subdivision are applicable, such trustee, director, officer or  
362 employee of such participating institution of higher education abstains  
363 from discussion, deliberation, action and vote by the board in specific

364 respect to any undertaking pursuant to this chapter in which such  
365 participating institution of higher education has a direct interest  
366 separate from the interests of all of the participating institutions  
367 generally, or such person having the required favorable reputation for  
368 skill, knowledge and experience in state and municipal finance  
369 abstains from discussion, deliberation, action and vote by the board in  
370 specific respect to any sale, purchase or ownership of bonds of the  
371 authority in which the investment banking firm or insurance company  
372 or bank of which such person is a partner, officer or employee has or  
373 may have a current or future interest, or such person having the  
374 required favorable reputation for skill, knowledge and experience in  
375 the higher education loan finance field abstains from discussion,  
376 deliberation, action and vote by the board in specific respect to any  
377 action of the authority in which any partnership, firm, joint venture,  
378 sole proprietorship or corporation of which such person is an owner,  
379 venturer, participant, partner, officer or employee has or may have a  
380 current or future interest.

381       [(h)] (f) The board of directors of the authority shall adopt written  
382 procedures, in accordance with the provisions of section 1-121, for: (1)  
383 Adopting an annual budget and plan of operations, including a  
384 requirement of board approval before the budget or plan may take  
385 effect; (2) hiring, dismissing, promoting and compensating employees  
386 of the authority, including an affirmative action policy and a  
387 requirement of board approval before a position may be created or a  
388 vacancy filled; (3) acquiring real and personal property and personal  
389 services, including a requirement of board approval for any  
390 nonbudgeted expenditure in excess of five thousand dollars; (4)  
391 contracting for financial, legal, bond underwriting and other  
392 professional services, including a requirement that the authority solicit  
393 proposals at least once every three years for each such service which it  
394 uses; (5) issuing and retiring bonds, bond anticipation notes and other  
395 obligations of the authority; (6) awarding loans, grants and other  
396 financial assistance, including eligibility criteria, the application  
397 process and the role played by the authority's staff and board of

398 directors; and (7) the use of surplus funds to the extent authorized  
399 under this chapter or other provisions of the general statutes.

400 [(i)] (g) The authority shall continue as long as it shall have bonds or  
401 other obligations outstanding and until its existence is terminated by  
402 law. Upon termination of the existence of the authority, all its rights  
403 and properties shall pass to and be vested in the state of Connecticut.

404 (h) The provisions of section 1-125, subsection (f) of section 10a-230  
405 and this subsection shall apply to any officer, director or employee of  
406 the Connecticut Health and Educational Facilities Authority appointed  
407 as a director of the authority and to any employee of the Connecticut  
408 Health and Educational Facilities Authority who is an authorized  
409 officer of the Connecticut Health and Educational Facilities Authority.  
410 Any such person shall not be personally liable for the debts,  
411 obligations or liabilities of the authority as provided in said section 1-  
412 125. The authority shall and the Connecticut Health and Educational  
413 Facilities Authority may provide for the indemnification to protect,  
414 save harmless and indemnify such officer, director or employee of the  
415 Connecticut Health and Educational Facilities Authority as provided  
416 by said section 1-125.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2012	10a-178(e)
Sec. 2	July 1, 2012	10a-178
Sec. 3	July 1, 2012	New section
Sec. 4	July 1, 2012	10a-180
Sec. 5	July 1, 2012	10a-223
Sec. 6	July 1, 2012	10a-224

**Statement of Purpose:**

To implement the Governor's budget recommendations.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*